

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: AC# 3-PGV-J8 – GCI Prince George, Inc., d/b/a Prince George Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: Draft Report – AC# 3-PGV-J8 – GCI Prince George, Inc., d/b/a Prince George Healthcare
Center

Dear Ms. Holtzscheiter:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-PGV-J8 – GCI Prince George, Inc., d/b/a Prince George Healthcare Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**GCI PRINCE GEORGE, INC.
D/B/A PRINCE GEORGE HEALTHCARE CENTER
GEORGETOWN, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1999
AC# 3-PGV-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 2, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Prince George, Inc., d/b/a Prince George Healthcare Center, for the contract periods beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Prince George, Inc., d/b/a Prince George Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Prince George Inc., d/b/a Prince George Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 2, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

PRINCE GEORGE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1999
AC# 3-PGV-J8

Interim reimbursement rate (1)	\$107.11
Adjusted reimbursement rate	<u>98.42</u>
Decrease in reimbursement rate	\$ <u><u>8.69</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning October 1, 1999
AC# 3-PGV-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.97	\$50.88	
Dietary		8.08	9.69	
Laundry/Housekeeping/Maint.		<u>6.84</u>	<u>8.24</u>	
Subtotal	<u>\$4.82</u>	55.89	68.81	\$55.89
Administration & Med. Records	<u>\$ -</u>	<u>16.79</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		72.68	<u>\$80.37</u>	67.45
<u>Costs Not Subject to Standards:</u>				
Utilities		2.06		2.06
Special Services		8.68		8.68
Medical Supplies & Oxygen		3.82		3.82
Taxes and Insurance		2.12		2.12
Legal Fees		<u>.34</u>		<u>.34</u>
TOTAL		<u>\$89.70</u>		84.47
Inflation Factor (3.00%)				2.53
Cost of Capital				8.74
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.07)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.18</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$98.42</u>

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,106,600	\$ 75,856 (7) 7,509 (7)	\$ 1,502 (1) 22,541 (4) 16,487 (6) 578 (6) 2,097 (8)	\$2,146,760
Dietary	389,675	44,979 (7)	1,764 (6) 9,515 (8)	423,375
Laundry	42,704	5,444 (7)	1,570 (8)	46,578
Housekeeping	161,581	50,968 (7)	2 (6) 40,030 (8)	172,517
Maintenance	130,744	40,987 (7)	440 (6) 31,997 (8)	139,294
Administration & Medical Records	831,278	4,406 (4) 14,803 (4) 43,475 (7) 9,921 (7)	2,278 (6) 114 (6) 18,493 (8) 3,340 (8)	879,658
Utilities	100,900	31,626 (7)	24,756 (8)	107,770
Special Services	390,124	5,856 (9) 59,012 (10)	366 (6)	454,626
Medical Supplies & Oxygen	221,082	3,332 (4)	24,018 (9)	200,396
Taxes and Insurance	108,490	32,290 (7)	5,429 (5) 24,287 (8)	111,064
Legal Fees	17,221	1,063 (7)	464 (8)	17,820

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	381,295	25,507 (1) 483 (2) 7,101 (3) 3,020 (7) <u>42,043 (11)</u>	1,443 (8)	458,006
Subtotal	4,881,694	509,681	233,511	\$5,157,864
Ancillary	711,856	-	-	711,856
Non-Allowable	2,134,624	22,029 (6) 157,992 (8) 18,162 (9)	24,005 (1) 483 (2) 7,101 (3) 347,138 (7) 59,012 (10) <u>42,043 (11)</u>	1,853,025
Total Operating Expenses	<u>\$7,728,174</u>	<u>\$707,864</u>	<u>\$713,293</u>	<u>\$7,722,745</u>
Total Patient Days	<u>44,964</u>	<u>7,435 (12)</u>	<u>-</u>	* <u>52,399</u>

*Adjusted to 97% occupancy

Total Beds 148

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$744,465	
	Cost of Capital	25,507	
	Accumulated Depreciation		\$159,460
	Other Equity		585,005
	Restorative		1,502
	Nonallowable		24,005
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Loan Cost	7,243	
	Cost of Capital	483	
	Accumulated Amortization		1,771
	Other Equity		5,472
	Nonallowable		483
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	7,101	
	Nonallowable		7,101
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Administration	4,406	
	Medical Records	14,803	
	Medical Supplies	3,332	
	Nursing		22,541
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
5	Accrued Property Taxes	11,182	
	Retained Earnings		5,753
	Taxes and Insurance		5,429
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	22,029	
	Nursing		16,487
	Restorative		578
	Dietary		1,764
	Housekeeping		2
	Maintenance		440
	Administration		2,278
	Medical Records		114
	Special Services		366
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Nursing	75,856	
	Restorative	7,509	
	Dietary	44,979	
	Laundry	5,444	
	Housekeeping	50,968	
	Maintenance	40,987	
	Administration	43,475	
	Medical Records	9,921	
	Legal	1,063	
	Utilities	31,626	
	Taxes and Insurance	32,290	
	Cost of Capital	3,020	
	Nonallowable		347,138
	To reverse Provider and DH&HS adjustments to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	157,992	
	Restorative		2,097
	Dietary		9,515
	Laundry		1,570
	Housekeeping		40,030
	Maintenance		31,997
	Administration		18,493
	Medical Records		3,340
	Legal		464
	Utilities		24,756
	Taxes and Insurance		24,287
	Cost of Capital		1,443
	To remove indirect costs applicable to non-reimbursable cost centers HIM 15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Special Services	5,856	
	Nonallowable	18,162	
	Medical Supplies		24,018
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Special Services	59,012	
	Nonallowable		59,012
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
11	Cost of Capital	42,043	
	Nonallowable		42,043
	To adjust capital return to allowable State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Memo Adjustment: To increase total patient days by 7,435 to 52,399		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>1,470,754</u>	\$ <u>1,470,754</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

PRINCE GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1998
AC# 3-PGV-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>148</u>
Deemed Asset Value	5,199,240
Improvements Since 1981	296,604
Accumulated Depreciation at 9/30/98	<u>(790,761)</u>
Deemed Depreciated Value	4,705,083
Market Rate of Return	<u>.063</u>
Total Annual Return	296,420
Return Applicable to Non-Reimbursable Cost Centers	(2,554)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>17</u>
Allowable Annual Return	293,883
Depreciation Expense	166,453
Amortization Expense	1,127
Capital Related Income Offsets	(2,014)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,443)</u>
Allowable Cost of Capital Expense	458,006
Total Patient Days (Minimum 97% Occupancy)	<u>52,399</u>
Cost of Capital Per Diem	\$ <u><u>8.74</u></u>